

REPORT TO THE LEGISLATIVE OVERSIGHT COMMITTEE  
ON ELECTRIC RESTRUCTURING  
RESULTS AND EFFECTIVENESS OF THE SYSTEMS BENEFITS CHARGE

October 1, 2004

The New Hampshire Public Utilities Commission hereby submits to the Legislative Oversight Committee on Electric Restructuring its annual report on the results and effectiveness of the system benefits charge (SBC).<sup>1</sup> The SBC is a charge assessed on all electric customers to fund public benefits related to the provision of electricity. The SBC is currently capped at \$0.003 or “3 mils” per kWh. Funds collected through this charge are divided between energy efficiency and conservation programs and low income assistance programs, with 1.8 mils per kWh devoted to energy efficiency and the remaining 1.2 mils per kWh allocated to the low income energy assistance program or EAP.

The energy efficiency and conservation programs are offered to residential, commercial and industrial customers of each of the state’s electric utilities, that is, Concord Electric and Exeter and Hampton (also referred to as Unitil Energy Systems), Granite State Electric Company, New Hampshire Electric Cooperative and Public Service Company of New Hampshire.<sup>2</sup> The low income assistance programs are offered by all electric utilities to residential customers.

Energy Efficiency Program

Two principal goals of the program are to achieve cost effective energy savings and to transform the market for energy efficiency measures. From June 2002 through December 31, 2003, SBC-funded energy efficiency programs in New Hampshire provided services to 59,699 customers (57,813 residential and 1,317 businesses) or 127% of the original goal of 47,000 customers. Approximately fifteen percent of the households in New Hampshire were served during this period. Similarly, the projected lifetime kilowatt-hour savings goal of 765 million kWh was exceeded (179% of goal), with a reported projected lifetime kWh savings of 1.368 billion kWh, or enough energy to power the City of Concord for 3.6 years. According to the summary report provided to the Commission by the utilities, the energy saved will reduce customers’ electric bills by more than \$145 million, a six-fold return on investment. This compares favorably to the goal of \$83 million in reductions originally set for the program. These energy savings translate into a total emissions reduction of 1,028,070 tons of CO<sub>2</sub>, 6,839 tons of SO<sub>x</sub>, and

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<sup>1</sup> This report is filed pursuant to RSA 374-F:4, VIII(b)(2)(f). The authorization for the SBC is found at RSA 374-F:3, VI.

<sup>2</sup> Since the last report, PSNH has acquired Connecticut Valley Electric Company (CVEC). The sale of CVEC to PSNH became effective January 1, 2004.

1,368 tons of NO<sub>x</sub>, equivalent to taking more than 215,000 cars off the road.<sup>3</sup> Again, this was far higher than the original emissions reduction goal. Expressed on a cents per kWh saved basis, each kWh saved cost just 1.7 cents per kWh, as compared to the average retail price in excess of 10.7 cents per kWh and exceeding the program's initial goal of 3.0 cents per kWh saved.

The following table shows the amount of SBC dollars collected by the utilities from June 30, 2003 through June 30, 2004:

<u>Company:</u>	<u>SBC Funds Collected:</u>
Public Service of New Hampshire	\$ 14,239,050
Unitil Energy Systems	\$ 2,198,675
Granite State Electric	\$ 1,534,414
<u>New Hampshire Electric Cooperative</u>	<u>\$ 1,230,316</u>
<b>Total</b>	<b>\$ 19,202,455</b>

As described above, the programs to date have exceeded expectations with respect to the first of the two primary goals, cost effective energy savings. Less progress has been made on the second goal, transformation of the market. The continued existence of a largely rebate-driven program may not offer the best opportunity to transform over time the market for energy efficient products and services. However, the Commission continues to look at this issue, which has been raised most recently in the PAYS proceeding, Docket No. DE 04-052.

The Appendix which follows this report provides substantial additional detail about the programs, including information about the expenses, savings, and the number of customers served at the individual program level. Additional detail regarding individual utility performance in the program is also available on the Commission's website, <http://www.puc.nh.gov>. In addition, a copy of the most recent order concerning the core energy efficiency programs, Order No. 24,248, issued December 15, 2003, in Docket No. DE 03-169, is also attached.

### Low Income Program

In May 2002, the Commission approved a statewide tiered discount low income electric assistance program. Designed to reduce the electric bills of participating customers to 4% of income on average for non-electric heat customers and 6% of income on average for electric heat customers, the program provides long term bill assistance to income eligible customers. The program began on October 1, 2002.

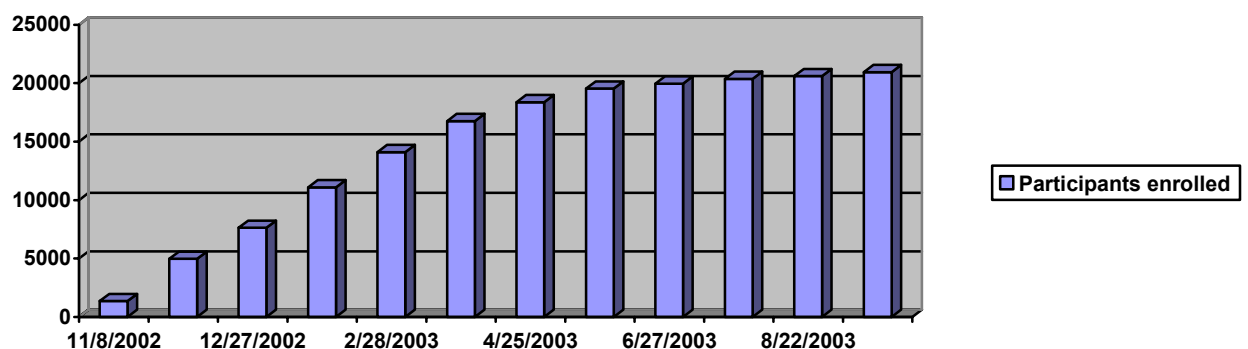
<sup>3</sup> The estimate of automobile emissions reduction is based on the emissions profile of a 2003 Toyota Camry.

The low-income electric assistance program is funded through a 1.2 mil per kWh charge appearing on the electric bills of customers of Granite State Electric Company, New Hampshire Electric Cooperative, PSNH and Unitil Energy Services. Customers of Connecticut Valley Electric Company (CVEC) also contributed to the low-income electric assistance fund prior to January 1, 2004, when the sale of CVEC to PSNH became effective, and they now contribute as PSNH customers. Pursuant to RSA 374-F:4, VIII (c), the program will sunset on June 30, 2005, absent legislation to extend it.

From October 1, 2003 to August 31, 2004, the low income portion of the system benefits charge generated \$11,739,237 in revenue. During the same time frame, \$9,098,128 in discounts were applied to customer bills, and \$529,158 in arrears were forgiven for total benefits paid out to customers of \$9,627,286. The average benefit paid to participants in the electric assistance program is \$472 per year. During the same 11 month period, \$1,983,174 was paid out in expenses. However, some expenses incurred during the 2002/2003 program year were carried over and paid in the 2003/2004 program year. The budget for administrative expenses for period October 1, 2003 through September 30, 2004 is \$1,522,022, or 12% of the projected program funding of \$12,834,077 for the 12 month period. This is a \$400,000, or three percent, decrease in administrative costs when compared to the fixed credit percentage of income assistance program originally proposed to the Commission by the parties. As of August 31, 2004, there was a fund balance, held by the State Treasurer, of \$2,600,329 and a reserve balance of \$1,227,302.

During the first program year, more funds were collected than were paid out in benefits and expenses. This imbalance between dollars collected and dollars paid out was due to the ramping up of program enrollment during the first year. As illustrated in the table below, enrollment was low during the early months of the program. As a result, significantly more system benefits charge dollars were collected in the early months of the program than were needed for participant benefits.

#### **2002/2003 program year enrollment**



A number of different options for distributing those dollars to the intended audience were evaluated with consideration given to the need to maintain a fiscally sound program. Consequently, in May 2004, as part of Docket No. DE 03-195, the eligibility

level for the electric assistance program was increased from 150% of the federal poverty level to 185% of the federal poverty level. See attached Order No. 24,329, dated May 21, 2004. This change increased the number of income eligible customers by approximately 4,000 and went into effect in May 2004. Since that time, 1,980 customers with incomes between 150% and 185% of the federal poverty level have been enrolled in the electric assistance program. At the same time, the Commission tasked the electric assistance program advisory board to investigate methods for including poverty in the determination of a participant's benefit level thereby better targeting the discount level. This enhancement in the program should result in better targeting of benefits as it would recognize that the financial outlook of a family of 4 making \$12,000 is very different than that of a single person household earning the same amount. The projected balance as of June 30, 2005 of the fund being held by the State Treasury is \$1,822,144. In the event the program is not extended, the Commission will be required to devise a procedure for refunding unspent funds to ratepayers.

As of September 27, 2004, 22,190 households representing 50,599 people were enrolled in and receiving benefits from the electric assistance program. Since the program began almost two years ago, the Community Action Agencies, as administrators of the program, have seen between 40,000 and 50,000 households apply for the electric assistance program, evidencing the need for a bill assistance program.

<b>Poverty Level</b>	<b>Number Of Households Enrolled as of 9/27/04</b>	<b>Number Of Persons as of 9/27/04</b>
Under 75%	5183	14557
76-100%	4807	9946
101-125%	4843	10776
126-150%	4377	10199
151-175%	1524	3919
176-185%	456	1202
<b>Total</b>	<b>21190</b>	<b>50599</b>

A review of the program data indicates the electric assistance program has had success in making bills more affordable for program participants. Sixty six percent of program participants make a complete or partial payment on their electric bill each month. Additionally, aging of accounts receivables data provided by the utilities show that electric assistance program customers, while slower, are not significantly slower in paying their electric bills than non-electric assistance program customers.

In addition to the May 21, 2004 Order cited above, also attached is a copy of the Stipulation of the Parties which led to the Order, and a breakdown by County and Town of the number of program participants since program inception.